

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:ITA:B05

PLR-122117-19

Date: March 11, 2020

Taxpayer =
Date =
Year A =
Buyer =
\$w =
\$x =
\$y =
\$z =
Year B =
Year C =
Firm A =
Firm B =
Year D =

Dear :

This letter refers to the Taxpayer's request for a private letter ruling for permission to revoke its election out of the installment method for the sale of certain property under § 453 of the Internal Revenue Code (Code) and § 15a.453-1(d)(4) of the Income Tax Regulations (Regulations).

FACTS

On Date of Year A, Taxpayer sold property to Buyer for a total sales price of \$w. Of this amount, \$x is for property eligible to be reported on the installment method. Buyer paid Taxpayer \$y and a promissory note for \$z (the remainder of \$w) in Year A. Under the provisions of the note, Buyer must pay the principal balance with any interest due to Taxpayer in one lump sum in a year subsequent to Year A, but no later than Date of

Year B. Buyer paid \$z to Taxpayer in Year C. When preparing Taxpayer's Federal income tax return for Year A, Firm A inadvertently did not report the eligible gain from the sale on the installment method under § 453 of the Code, but instead reported all of the gain on Taxpayer's Year A Federal income tax return. Firm B noticed the error in Year D while preparing Taxpayer's partners' Year A Federal income tax returns. Firm B promptly notified Firm A and Taxpayer in Year D. Subsequently, Taxpayer requested this ruling.

LAW AND ANALYSIS

Section 453(a) of the Code provides that income from an installment sale shall be taken into account under the installment method. Section 453(d)(1) provides that § 453(a) shall not apply to any sale if the taxpayer elects not to have § 453(a) apply to the sale.

Section 453(d)(2) of the Code provides that, except as otherwise provided by regulations, an election under § 453(d)(1) with respect to a sale may be made only on or before the due date prescribed by law (including extensions) for filing the taxpayer's return for the taxable year in which the sale occurs. Such an election shall be made in the manner prescribed by the regulations.

Section 453(d)(3) of the Code provides that an election under § 453(d)(1) with respect to any sale may be revoked only with consent of the Secretary.

Section 15a.453-1(d)(4) of the Regulations states that an election out of the installment method may be revoked only with consent of the Internal Revenue Service. A revocation will not be permitted when one of its purposes is the avoidance of federal taxes, or when the taxable year in which any payment was received is closed.

In this case, the information submitted indicates that Taxpayer inadvertently elected out of the installment method. Additionally, Taxpayer did not use hindsight in requesting relief, and its request is not for the purpose of avoiding federal taxes. Further, the Taxpayer's taxable years in which it received payments are not closed.

CONCLUSION

Based on careful consideration of all the information submitted and the representation made, Taxpayer is granted permission to revoke its election out of the installment method for the Year A sale of Asset. Permission is granted for the period that ends 75 days after the date of this letter. In order to revoke its election out of the installment method, Taxpayer must file an amended Federal income tax return for Year A and any other previously filed returns on which a portion of the gain from the sale is reportable under the installment method.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, it is subject to verification on examination.

A copy of this letter must be attached to any income tax return to which it is relevant.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Christina M. Glendening
Senior Counsel, Branch 5
Office of Associate Chief Counsel
(Income Tax & Accounting)

Enclosure

cc: